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No. 442

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1958

HYDE CORPORATION, *Petitioner*

v.

JAMES DONLE HUFFINES, *Respondent*

ON PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF TEXAS

BRIEF FOR RESPONDENT IN OPPOSITION

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OPINIONS BELOW

The opinion of the Court of Civil Appeals is reported at 303 S. W. 2d 865. The opinion of the Texas Supreme Court is reported at 314 S. W. 2d 763.

JURISDICTION

We do not think there is any ground on which the jurisdiction of this Honorable Court can be invoked.

QUESTIONS PRESENTED

1. Whether the jurisdiction of the state court in a "trade secret" case — where the state court admittedly has jurisdiction of the parties and the subject

matter at the outset — is destroyed by issuance of a patent during the course of the trial.

2. Whether this Honorable Court will entertain a petition for writ of certiorari asserting denial of due process and equal protection of the law by reason of the rulings on procedural questions by the trial court, the Court of Civil Appeals, and the Texas Supreme Court, where the question of denial of due process and equal protection of the law is raised for the first time in the Second Motion for Rehearing in the Texas Supreme Court.

3. Whether this Honorable Court will review the rulings of the trial court, the Court of Civil Appeals, and the Texas Supreme Court on matters simply of procedure in the state courts.

FIRST QUESTION

The first question presented is an extremely narrow question on a set of facts not likely to recur, i. e., whether the issuance of a patent during the course of the trial of a "trade secret" case in the state court destroys the jurisdiction of the state court.

Respondent is the inventor of a refuse compressor mechanism, a device mounted on a truck and widely used by municipalities in collecting trash and garbage, and Petitioner is the corporation to which Respondent gave an exclusive license to manufacture and sell such device prior to issuance of a patent on the invention. Respondent is a resident of the State of Texas, and Petitioner is a Texas corporation, and, since a patent

was not granted until after the case had gone to trial, it would have been impossible under any form of pleadings for Respondent to obtain jurisdiction in the Federal Court.

In his petition in the state court, Respondent alleged that Petitioner had repudiated the license agreement, and the relief sought by Respondent was a money judgment for unpaid royalties, and declaratory judgment relief determining that the license agreement had been terminated and that Petitioner no longer had any claim or right in the invention in question and that Respondent was the sole owner of such invention and all rights therein and any patent which might issue on such invention. Respondent prayed for a permanent injunction against Petitioner on the basis of the well established common law doctrine of "trade secrets" or "breach of confidential relationship".

The common law doctrine pursuant to which equity courts grant injunctive relief to inventors against a person or company taking advantage of the inventor's confidential disclosure of his invention prior to issuance of a patent — commonly known as the law of "trade secrets" or "breach of confidential relationship" — clearly involves only state law and not a Federal question. **Franke v. Wiltschek**, 209 F. 2d 493 (2d Cir. 1953); **Smith v. Dravo Corp.**, 203 F. 2d 369 (7th Cir. 1953).

The trial court entered a decree enjoining Petitioner from manufacturing or selling any device made in accordance with Respondent's invention. The

foundation for this injunction was clearly the common law doctrine of "trade secrets" based on evidence that Petitioner had obtained a disclosure of Respondent's invention in the course of negotiations for a business arrangement and had thereafter misappropriated Respondent's invention in breach of the confidence reposed by Respondent in Petitioner in making full disclosure of his invention prior to issuance of a patent. This state law doctrine of "trade secrets" has become so firmly established as a doctrine of equity jurisprudence that there is no need to labor the point. The opinion of the Texas Supreme Court reported at 314 S. W. 2d 763 thoroughly discusses the law on this subject. The injunction issued by the trial court satisfied the requirement of certainty in scope and application by enjoining Petitioner from manufacturing or selling any device made in accordance with the disclosure by Respondent to Petitioner, and this disclosure was spelled out in terms of the claims set forth in Respondent's original patent application and the somewhat narrower claims set forth in his patent as finally issued. The Texas Supreme Court, in its opinion at 314 S. W. 2d 763, 777, holds that this was the proper form of the decree to define the features of Respondent's device which should be protected by injunction as so-called "trade secrets". Clearly an inventor who has had his invention misappropriated through breach of confidential relationship is entitled to the same scope of injunctive relief as he would be in a patent infringement suit. **A. O. Smith Corporation v. Petroleum Iron Works Co. of Ohio,** 73 F. 2d 531 (6th Cir. 1934), modified 74 F. 2d 934.

Frankly, we are unable to follow Petitioner's argument that the state court was ousted of jurisdiction upon issuance of a patent during the course of the trial. Clearly, the state court had jurisdiction of the parties and the subject matter before the patent was issued. Just as clearly, the Federal Court would not have had jurisdiction prior to issuance of a patent. To reach the conclusion urged by Petitioner, it must be decided that the state courts have no jurisdiction over controversies between their own citizens based on state common law and state remedies if a patent may be introduced in evidence on any issue. When thus clearly stated, the proposition advanced by Petitioner is almost frivolous.

Long prior to, and in many cases since the landmark case of **Pratt v. Paris Gas Light & Coke Company**, 168 U. S. 255 (1897), this Honorable Court has held that the state courts clearly have jurisdiction to determine "patent questions" as distinguished from "patent cases". The leading case applying this principle where the foundation of the case was the doctrine of "trade secrets" is **Becher v. Contoure Laboratories, Incorporated**, 279 U. S. 388 (1929), in which this Honorable Court, speaking through Mr. Justice Holmes held that the state court of New York had jurisdiction to determine that a patent was invalid because obtained by an ex-employee through breach of confidential relationship. In that case, Becher was employed as a machinist to construct a machine invented by Oppenheimer, and after learning the secrets of the invention, Becher applied for and obtained a patent on the invention without the knowledge of the

real inventor. Thereupon the true inventor brought suit in the state court in New York and obtained a judgment requiring Becher to assign the patent and permanently enjoining him from using, manufacturing, or selling any machine made in accordance with the patent. Thereafter Becher brought suit in the Federal district court setting up his patent and claiming infringement of it and denying the jurisdiction of the state court to enter its decree, inasmuch as the effect of such decree would be to hold Becher's patent invalid. This Honorable Court held that the state court had jurisdiction and that its judgment was a bar to Becher's patent infringement claims in the Federal Court.

Even if a patent had already been issued to Respondent before institution of this suit, he nevertheless could have obtained jurisdiction in the state court by bringing his suit to adjudicate termination of the license agreement and to establish his right to injunctive relief on the basis of breach of confidential relationship. In other words, the question of whether the jurisdiction of the state court is properly invoked is not dependent upon the existence of a patent, but depends upon whether Plaintiff bases his case on patent infringement or on some state law doctrine such as the doctrine of "trade secrets". **Luckett v. Delpark, Inc.**, 270 U. S. 496 (1926). The **Luckett** case was the converse of **Pratt v. Paris Gas Light & Coke Company, supra**, and holds that the Federal Court did not have jurisdiction where plaintiff based his case on a license agreement with defendant, notwithstanding the fact that plaintiff also set up his patents and asked for an injunction for patent infringement.

SECOND QUESTION

The second question presented is whether this Honorable Court will entertain a petition for writ of certiorari where the alleged Federal question was raised for the first time in the Second Motion for Rehearing in the Texas Supreme Court. Even if there were some substance to Petitioner's point as to denial of due process and equal protection of the law, we think that point was abandoned by failure to timely raise the point in the state courts.

This Honorable Court will not review a Federal constitutional question where it is raised for the first time on motion for rehearing in the state supreme court. **American Surety Co. v. Baldwin,** 287 U. S. 156 (1932); **Godchaux Co. v. Estopinal,** 251 U. S. 179 (1919); **Radio Station WOW, Inc. v. Johnson,** 326 U. S. 120 (1945); **Herndon v. Georgia,** 295 U. S. 441 (1935).

Petitioner attempts to avoid the compelling effect of these cases by taking the position that it could not anticipate the ruling of the Texas Supreme Court and had no opportunity to raise the question until its second motion for rehearing. Such position cannot stand in view of the fact that every state court, from the trial court to the Court of Civil Appeals to the Texas Supreme Court, had uniformly ruled the same way against Petitioner on each of the points questioned.

THIRD QUESTION

The third question presented is whether this Honorable Court will review matters strictly of state

court procedure. It has been established from the earliest times that the United States Supreme Court will not review matters of state court procedure. **Iowa Central Railway Company v. Iowa,** 160 U. S. 389 (1896); **Louisville and Nashville Railroad Company v. Schmidt,** 177 U. S. 230 (1900); **Hooker v. Los Angeles,** 188 U. S. 314 (1903); **Cincinnati Street Railway Company v. Snell,** 193 U. S. 30 (1904); **Gasquet v. Lapeyre,** 242 U. S. 367 (1917).

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for writ of certiorari should be denied.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Ogden K. Shannon, Jr., a licensed attorney admitted to practice before the United States Supreme Court, hereby certify that a true copy of the foregoing Brief for Respondent in opposition to petition for writ of certiorari was served upon T. S. Christopher of Christopher & Bailey, 807 Continental Life Building, Fort Worth, Texas, by depositing a true copy thereof in the United States mail, postage prepaid, on the _____day of November, 1958.

_____

Ogden K. Shannon, Jr.